

Buyers eye professional staffing firms

Right now is 'window of opportunity'

Higher-end professional staffing firms are in demand, a roundup of staffing industry merger and acquisition activity showed. More than half of the deals completed in the first quarter involved companies that provide professional staffing services, including those in healthcare, marketing, technology and legal.

Overall, *Staffing Industry Report* tallied 44 deals completed in the first quarter and four pending. That compared with 41 deals completed in the first quarter of 2006 and 30 in the fourth quarter. Fifty-six percent of the deals in the January through March period involved professional staffing companies. About 40% of the acquirers were public companies.

"It's a very good market for companies in the higher end of the professional skills range," said John Niehaus of Growth Capital Partners. Niehaus added buyers are looking for areas that are growing faster and have better margins. "Right now, there's a shortage of legal and finance staffing companies willing to be acquired, he said.

The largest deal completed in the first quarter was **On Assignment Inc.**'s purchase of Oxford Global Resources Inc., a Beverly MA-based IT and engineering staffing firm, for \$200 million in cash and stock. On Assignment also completed its \$41 million buy of Vista Staffing Solutions Inc., a Salt Lake City-based company that operates a locum tenens business and provides physician search services.

The deals represented new lines of business for Calabasas CA-based On Assignment, which provides scientific, nursing and allied medical services staffing.

"I think there's a window of opportunity today," Niehaus said. "Right now we're seeing good, quality companies are getting good prices for their businesses."

That window is opened by a strong economy and an ample supply of

buyers – including strategic buyers and private equity, he said.

Al De Bellas, president of De Bellas & Co., a brokerage that represents sellers, said he thinks there will be more activity in the next quarter. Buyers aren't in a feeding frenzy, but are going about staffing acquisitions in a logical, strategic manner.

"I would characterize the market as very well balanced," De Bellas said. "It's not a sellers' market, it's not a buyers' market." Companies are seeing several prospective buyers, while buyers see several prospective companies, he said.

Among the deals still pending as of the end of March was Caritor Inc.'s purchase of Boston-based **Keane Inc.** for \$854 million. The deal is expected to close in the second quarter. Publicly held Keane announced on Feb. 7 that it would be sold to privately held Caritor, an information services firm based in San Ramon CA.

Tampa FL-based **Ablest Inc.** announced a deal to be acquired by a holding company owned by **SelectRemedy** CEO Steve Sorensen. The deal would pay Ablest shareholders \$11 a share or approximately \$32.5 million. Ablest had been considering an offer worth about \$22 million to go private from management and private equity firm The Burton Partnership. Managers involved in that proposal included Heist and CEO Kurt Moore.

Ablest posted revenue of \$140.8 million in 2006.

Private equity firm H.I.G. Capital LLC and its affiliates bought almost 8.3 million shares of **Westaff Inc.** – approximately 49.7% of the company. The shares were purchased from company founder and Chairman Robert Stover and family members, as well as on the open market.

Computer Horizons Corp. continued to wind down its operations after selling its business units. Shareholders Feb. 14 approved the sale of its commercial services business to **TEKsystems** and its Chimes

business unit to Axium International Inc. for \$57 million and \$80 million, respectively. Computer Horizons sold its RGII Technologies Inc. subsidiary for \$15.3 million in 2005 to NetStar-1.

Kelly Services Inc. expanded its international footprint with the purchase of the remaining share of a Japanese joint venture and the acquisition of an Eastern European staffing company.

Kelly announced March 28 that it purchased **Tempstaff's** 51% share in **Tempstaff Kelly**, a Tokyo-based joint venture. Kelly began the venture in 2005 with Sony Corp. and Tempstaff, Japan's second-largest staffing firm. Kelly bought Sony's 40% stake in October. The joint venture has an estimated full-year revenue of \$40 million.

Earlier in March, Kelly acquired **Talents Technology**, a permanent placement and executive search firm that operates in the Czech Republic and Poland. Talents Technology has estimated 2007 revenue of \$2.4 million.

Kelly was also among four staffing companies that purchased firms working in the creative arena.

Kelly acquired New York-based **CGR/seven LLC**, which specializes in creative talent including graphic designers, art directors, copywriters, Web developers, and Flash and motion graphics artists. Terms of the deal were not disclosed, but CGR/seven has estimated full-year 2007 revenue of approximately \$8 million.

Vedior NV purchased a 70% interest in Major Players Ltd., a London-based marketing and media staffing company. It provides temporary and permanent personnel in advertising, marketing, design, digital media, events and public relations. It had annual sales of £10.0 million (US\$19.6 million) in 2006.

Major Players has clients in the United States, Europe, Australia and the Middle East. It also provides training under the Major Training brand.

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Aquent, a Boston-based creative and marketing staffing company, acquired the American Graphics Institute in February. AGI provides training and consulting in the fields of print, Internet, video and mobile publishing. Terms of the deal were not announced.

In addition, the **MPS Group** acquired **The Paladin Cos. Inc.**, an advertising and market-

ing staffing company based in Chicago. It also has offices in six other cities. MPS also bought the legal placement, staffing and outsourced document review units of the **Esquire Group** through **Special Counsel**, its legal staffing unit.

Global Employment Holdings Inc. bought **Career Blazers**, a temporary staffing company with offices in New York

City, New Jersey, Washington DC and Maryland. Career Blazers provides temporary, permanent and legal staffing as well as payrolling. Global is now public on the over-the-counter bulletin board.

Gevity HR Inc. bought **HRAmerica Inc.**, a Charlotte NC-based professional employer organization, for \$10 million. ◇

North American Staffing Services M&A Activity First-Quarter 2007*

Acquired Company	HQ Location	Acquired By	Business	Price	Date
Connection Staffing	Tampa FL	AccountAbilities	fa	n.d.	Q107
ReStaff Services	Fairfield CA	AccountAbilities	t	n.d.	Q107
ARD Group (1)	New York NY	Adams Consulting Group	t, fa	n.d.	Q107
National Home Health Care Corp.	Scarsdale NY	AG Home Health	hc	n.a.	pending
CEBCO	Birmingham AL	Alabama Credit Union League	e	n.d.	Q107
American Graphics Institute	Woburn MA	Aquent	m/cs	n.d.	Q107
PrairieStone Pharmacy	Minneapolis	Arcadia Resources	hc	\$24 mil stock	Q107
Technology Professionals	Grand Rapids MI	Arrow Strategies	it	n.d.	Q107
Chimes (Computer Horizons)	Mountain Lakes NJ	Axiom International	vs	\$80 mil	Q107
Creative Financial Staffing	Boston	Carneiro, Chumney & Co.	fa	n.a.	Q107
Keane	Boston	Caritor	it	\$854 mil	pending
Financial Additions	Dallas	Carpathia	fa	n.d.	Q107
Terra Nova Acquisition	Toronto, Ontario	ClearPoint Business Resources	li, ct	rev. merger/ \$31.6 mil stk	Q107
ALS	Maitland FL	ClearPoint Business Resources	p, t	\$24 mil cash, stock, debt	Q107
AEM Cos.	Miami	ClearPoint Business Resources	e	n.a.	pending
LaVallee Associates	Winston-Salem NC	Coleman Lew & Associates	s	n.d.	Q107
Anytime Labor	Portland OR	Command Center	t, li	n.d.	Q107
Econometrix	San Ramon CA	Comsys IT Partners	vs, it	\$4.8 mil	Q107
Global RN	Las Vegas NV	Freedom Healthcare Staffing	hc	n.d.	Q107
dfwHR	Dallas	Frontline Source Group	t	n.d.	Q107
HRAmerica	Charlotte NC	Gevity HR	e, \$	\$10 mil	Q107
Career Blazers	New York	Global Employment Holdings	t, p, l	\$9 mil	Q107
RentonJames	Auckland, New Zealand	Heidrick & Struggles Int'l Inc.	s	n.d.	Q107
Westaff (3)	Walnut Creek CA	H.I.G. Capital Partners	t, p, li	33.9 mil	Q107
VandyMeds	Evansville IN	HR Solutions	hc	n.d.	Q107
Mountain Ltd.	Portland ME	Joule	it, p, hc, ct	n.d.	Q107
Talents Technology	Czech Republic, Poland	Kelly Services	it, p, s	n.d.	Q107
Tempstaff Kelly	Tokyo	Kelly Services	t	n.d.	Q107
CGR/seven	New York	Kelly Services	m/cs	n.d.	Q107
Ablest	Tampa FL	Koosharem (5)	32.5.mil	n.d.	pending
LeaderSource	Minneapolis	Korn/Ferry International	s, ec	n.d.	Q107
Keenan Staffing	Metairie LA	Lofton Staffing Services	t, li	n.d.	Q107
VersaTech Consulting	Piscataway NJ	Mascon Global	it	n.d.	Q107
The Paladin Cos.	Chicago	MPS Group	m/cs	n.d.	Q107
Vista Staffing Solutions	Salt Lake City UT	On Assignment	hc	\$41 mil	Q107
Oxford Global Resources	Beverly MA	On Assignment	it	\$200 mil cash/stock	Q107
Thremen BV	The Netherlands	Randstad Holding	fa	n.d.	Q107
Kelly Home Care	Troy MI	ResCare	hc	\$12.5 mil	Q107
Esquire Group	Minneapolis	Special Counsel (2)	l	n.d.	Q107
Synergy Staffing Alliance (4)	Dover DE, Bear DE	Staffmark	t	n.d.	Q107
Decca Consulting	Calgary, Alberta	Stratum Holdings	ct	\$4.7 mil	Q107
SQM Sverige	Stockholm, Sweden	TechTeam Global	it, li, t	\$5.1 mil	Q107
Computer Horizons Comm Svcs	Mountain Lakes NJ	TekSystems	it	\$57 mil	Q107
eWork Services	San Francisco	The Albany Group	\$, vs	n.d.	Q107
AccountAbilities	Manalapan NJ	Tilden Associates	fa	12.5 mil shares of stock	Q107
Major Players (6)	London	Vedior	m/cs	\$19.6 mil	Q107
Seis-Strat Services (7)	Houston	Willis Group	ct, it	n.d.	Q107
Sci-Tek Professionals	Morristown NJ	Yoh Services	ct, it	n.d.	Q107

n.a.=not available; n.d.=not disclosed *Does not include non-U.S. sales or IT solutions

Key to type of business:

ct=contract technical; e=employee leasing/PEO; ec=executive coaching; fa=finance & accounting; hc=healthcare; HRS=human resource services; it=information technology; jb=job board; l=legal; li=light industrial; m/cs=marketing/creative services; o=outplacement; p=permanent placement; rpo=recruitment process outsourcing; s=search; t=temporary services; vs=vendor solutions; \$=payroll

(1) 50% interest was purchased

(2) part of MPS Group

(3) 49.7% interest was purchased

(4) Only Synergy's two Delaware branches were purchased

(5) Steve Sorensen Company

(6) 70% interest was purchased

(7) A majority interest was purchased